

## DWELLING REQUIREMENTS

USDA Rural Development regulations contain very few restrictions on the type, size, style, and age of the homes that can be financed.

You as a homebuyer have a responsibility to insure the home you wish to purchase or build will adequately meet your family needs. You must consider the size, age, overall condition, and ownership cost in making your decision. Cost of ownership increases with the size and age of the dwelling. The mortgage payment should not be your only factor in determining cost. If you are unsure of your ability to assess the home, seek assistance from someone with experience in these matters. **Do not sign a purchase contract until you have investigated the home and are sure you wish to purchase and live in it.**

Rural Development finances the purchase, construction and/or repair of single family dwellings and condominiums. Dwelling must provide decent, safe and sanitary housing and be in good overall repair. Loans cannot exceed the market value by more than the cost of the Rural Development appraisal, initial escrow fee and deposit. The following requirements are not all-inclusive but represent areas most commonly questioned:

### DWELLING SITE

- Located in a eligible rural community
- Minimum size that cannot be subdivided into an additional site under existing zoning requirements
- Contiguous to and have direct access from an all weather road developed in compliance with public body requirements and is dedicated for public use and maintained by a public body or homeowners association that has clearly demonstrated ability to maintain the street(s)
- Capable of providing an adequate water and wastewater disposal system
- Property located in a 100 year flood hazard zone area may not be eligible for financing.

### PURCHASE OF EXISTING DWELLINGS

- The greater of the market value or purchase price cannot exceed the Rural Development loan limit for the respective area.
- In ground swimming pools are not eligible
- Structures such as barns and outbuildings designed for income production are not eligible
- Must meet Rural Development thermal performance standards of minimum R rating of 38 in attic and 19 in basement ceilings over unheated space and have functional storm windows and doors
- Must be structurally sound, functionally adequate for the family and in good repair or be repaired with loan funds. Certification from a disinterested third party inspector such as a home inspection service or qualified tradesmen is required for:
  - Structural soundness, electrical, heating, plumbing and roof cover
  - Water test required for private water system
  - Statement or certification on the functional adequacy of private wastewater disposal system from a qualified source such as a contractor who has completed an inspection during a pump out or by a local health organization
- Certification that the home is free of termites or other wood damaging pests
- Property located in a 100 year flood hazard zone may not be eligible for financing.
- A loan may be made on an existing condominium in a project approved by HUD, Fannie Mae or Freddie Mac. Evidence of approval could be documented sales financed by these entities in the project. Condominium documents and association bylaws must be approved by Rural Development's counsel prior to approval.

Home inspections and certifications may indicate the need for repairs. Rural Development will request the applicant obtain estimates for the repairs. The cost of the repair must be considered in determining the

final loan amount. Repair funds may decrease the loan available for purchase of the home. Funds needed for repair must be placed in escrow at closing and are released upon satisfactory completion and inspection by Rural Development.

### **ITEMS NEEDED BY RURAL DEVELOPMENT TO FURTHER PROCESS THE LOAN AND COMPLETE AN APPRAISAL**

- Signed copy (both buyer and seller) of purchase contract (P&S) – faxes must be followed up with mailed, acceptable copy
- Legal description
- Directions to the property
- Home inspection and other tests or certifications- optional at this time although early receipt of the information will expedite processing your request. Participation loan applicants should provide this documentation with the P&S.
- Person to be contacted by Rural Development to schedule a preliminary evaluation of the subject property

Rural Development will generally visit and complete a preliminary evaluation of the subject property within 7 days of receipt of the above information. Loan approval will occur after estimates (if any) of repairs are reviewed and loan amount is established. This occurs generally within 35 days of receipt of the P&S subject to the availability of funds. Participation loans may take slightly longer.

### **CONSTRUCTION OF NEW DWELLINGS**

- The greater of the market value, purchase price or total development cost cannot exceed the Rural Development loan limit for the respective area.
- In ground pools are prohibited
- Must meet state and local building codes
- Building permit required prior to closing of the loan
- Minimum of the equivalent of an R-38 rating in all ceilings; R-19 in exterior walls and floors over unheated spaces; insulated windows with a storm or “low E” rating and insulated exterior doors or doors with storms required
- Owner construction not permitted. Construction must be the responsibility of a licensed contractor only operating under a single signed contract or by purchase of pre-approved completed dwelling.
- Contract must be for a complete and finished home to include painting, finish grade, raking and lawn seeding
- Bids for construction recommended
- In most cases 40% of contract cost is held as retainage until home is substantially complete. Contractor must allow for this in the bidding process.

### **ITEMS NEEDED BY RURAL DEVELOPMENT TO FURTHER PROCESS THE LOAN AND COMPLETE THE APPRAISAL**

- Detailed plot plan and a survey
- Specific floor plans (nothing generic) to include all floors, basement, porches, kitchen, and bath(s)
- Exterior elevations - front, rear and side of dwelling
- Detailed specific cross section from basement footings through the roof deck
- Electrical, plumbing and heating plans
- Form RD 1924-2 “Description of Materials” completed by contractor and buyer
- Deed or legal description and purchase contract (if applicable) for the lot
- Directional map to the lot – lot should be flagged for easy recognition
- Written proposal from a contractor for the dwelling construction